

VIEWS ON MILITARY INTERVENTION

THE ROLE OF MORAL HAZARD

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Views on Military Intervention: The Role of Moral Hazard

Debate has raged on when and how the US should intervene in the affairs of others. Many argue that our policy of intervention has been inconsistent during the 1990s. Some argue the US has not done enough, while others argue we are doing too much.

Regardless of the perspective taken, there are no clearly articulated criteria or policy to use in determining when the US should intervene in the affairs of another state, a non-state, or a trans-national group in one instance and not in another.¹ The questions concerning intervention and flexing US power are never exactly the same and the answers are always varying shades of gray; much of the recent literature seems to describe and analyze different aspects of the problem.

This paper discusses intervention. Specifically, we evaluate the conditions under which the US should intervene in the affairs of another actor or actors *with military force*. We use moral hazard theory to guide our analysis. Obviously, the US has many ways to intervene when it so chooses—economically, diplomatically, militarily, informationally, culturally, officially, unofficially, with government agencies, with non-governmental organizations, and the like. However, military intervention has been and remains the most controversial especially since the end of the Cold War.

Before proceeding, we must define some of our terms. *Intervention* in this paper represents coercive interference by a superior actor (principal) into the sphere of jurisdiction or influence of a weaker actor (agent).² *Actors* are nation-states, nations, states, non-state, or trans-national groups. *Military force* is used here to mean the hostile

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use of lethal power with the intent to force and compel an actor to do our will. *Moral hazard* occurs when an actor has incentive to take unusual risk because international or US policies provide insurance against failure.

This paper makes three contributions to the literature. First, we seek to answer the question of when the US should intervene in the affairs of others. As Stephen Walt said, we are still awaiting for the “X” article to provide a compelling analysis for this new era, like Kennan did during the Cold War.³ Second, this paper offers a new analysis of intervention based on moral hazard theory. Finally, policy-makers in the Bush-Cheney Administration are struggling with this issue right now. Therefore, the linkage to established theory, development of a descriptive framework, and specific unit of analysis (intervention with military force) distinguishes this paper from previous studies.

What’s Been Done

Much has been written on the new era. Kissinger’s (1977) explanation of the Cold War’s relative balance of power as “bi-polar” was a reality for many years; however, the idea of a bi-polar world has not been relevant for almost a decade and, in any case, this description did not fully tell policy makers when to intervene with military force. Perhaps when the other major power instigated a hostile act, a direct or indirect confrontation would result and require the US to intervene. Many of the Cold War relationships could be analyzed under this rubric of bi-polarity with the rest of the world neatly aligned under one of the two sides⁴.

Since the end of the Cold War, much has been published on the “new world order”—which has been long on new and short on order. Descriptions of a uni-polar

world that centered on the US were popular during the early 1990s.⁵ During the mid-1990s, descriptions of a multi-polar world emerged in which several nations were thought to share global influence, although along a narrow set of considerations. By the end of the 1990s, discussions on the new era were offered in terms of normative behavior among states, rather than just a balance of power.⁶ However, none of these labels has taken hold because their descriptive power simply hasn't captured the full range of variables characterizing the post-Cold War era.

While much work in the early 1990s discussed international relations and balance of power in terms of polarity (uni-polar and multi-polar), the late 1990s has seen more discussion about the impact of an ever-shrinking world where globalization is frequently used to describe the new era. Globalization is more than economic interdependence. It represents the coming together of cultures and ways of life that cross borders with ease.⁷

There is another emerging trend where US "primacy" is used to discuss the nature of US power and position in the world. Convergence on global goals rather than balance of power or fear of escalation to somehow control world order is one policy proposal. Although quixotic, these global goals would include less military force to resolve conflicts, reduced quantities of weapons of mass destruction, a doctrine of limited humanitarian intervention, and economic openness.⁸ The primacy advocates also describe a rise of regionalism because the US will not be the world's police force, and therefore, Europe and Asia will have to shoulder more of the burden for maintaining security in their regions.

Globalism and US primacy try to describe the new era and how we fit. Diffusion rather than concentration of threats characterize this new era. It is not that threats to our

physical and economic security have subsided, but instead threats are spread across many different areas and levels: states, non-states, and trans-national groups. There are not so many clear and obvious enemies, just many cloudy and potential enemies from unseen, unanticipated, or unknown circumstances.⁹

Regarding intervention with military force, the debate has been much more acute given the five or so US military interventions of the 1990s. Notwithstanding the arguments about whether or not the United Nations charter allows for the “use of force against the territorial integrity or political independence of any state,”¹⁰ the spectrum of when to intervene is wide. At one end of the spectrum are those who advocate the US should only intervene militarily using overwhelming force to win under clearly defined objectives when a narrowly defined set of vital interests are at stake.¹¹ The other end of the spectrum is held by the “humanitarian hawks” who advocate military intervention to simply save human lives whenever they are most threatened.¹² Some argue the US should intervene with military force when domestic turmoil threatens regional or international stability or when massive human rights violations occur.¹³ Many agree with these criteria on when to intervene and go to the next step and define how to do it. Robert Tucker, among others, argues that the US has the responsibility to maintain world order—but by acting with partners, not alone.¹⁴

Information is the Common Denominator

Regardless of the perspective taken, there is a common denominator - - information. In some cases, the US and other actors have extensive information. In other cases, they have relatively little information. However, in all cases no party has complete

information about all the circumstances, variables, issues, stakeholders, agendas, and such. Theoretically, academicians assume complete information; indeed, economists conveniently make this assumption to describe the “optimal” world. However, in the real world where US policymakers have to make difficult choices about intervention, full and complete information is not possible. Kenneth Arrow wrote about the impact of information asymmetry between principals and agents.¹⁵ A *principal* can be a person, group, or organization that wants some action to be taken by another person, group, or organization. This other party to the transaction is the *agent*. For example, with regard to procuring a new weapon system, the US government would be the principal and the defense contractor making the system would be the agent. With regard to globalization and a US concern to maintain security of international trade routes, the US government would be the principal and the US military or another country’s military could be the agent.

Asymmetric information prevails when there is an ambivalence of information between principle and agent, and an agreement (or contract) for a level of action characterizes the relationship between them. In other words, an agent has *private information* that only he or she possesses about the level of effort to complete an action or action results. When the principal cannot fully monitor the behavior of the agent, there is no way of knowing with 100 percent certainty whether the agent fully performed the actions agreed to between them. Unfortunately, with private information, enforcing the contract becomes problematic. When the principal cannot fully observe the agent’s actions, he may be able to induce the agent to take the desired action using the information he does have—the agent’s output.

The Trade-Off of Moral Hazard

In the case of intervention, both the principal and agent usually can observe the output; therefore, the principal can dole out rewards based on output. Unfortunately, output can vary based on factors *within* the control of an agent and factors *outside* the control of an agent. Separating the effects of factors under the agent's control and factors not under his control is the essence of moral-hazard theory because it leads to a trade-off between insurance and incentives. For example, the US government may rely on Turkey to help maintain stability in the Middle East. Access to bases in Turkey allows the US to fly its aircraft over northern Iraq to enforce the no-fly zone. The output we desire is a certain number of combat support sorties flown over Iraq each day. However, this output can vary based on circumstances within or beyond Turkey's control. For instance, air traffic controllers cannot control the weather that keeps aircraft on the ground, prevent an earthquake from damaging the runways, or a host of other things that could prevent the US from flying the desired number of combat support sorties each day. On the other hand, there are some things Turkish officials could do to reduce the output of sorties that are within their control and unknown to the US. For instance, Turkish air traffic controllers could willfully be slow to grant take-off clearances and thereby prevent some aircraft from take off. Turkey should be insured from failure to perform for events beyond its control, yet be provided with incentive to do what it is supposed to do. This is the moral hazard dilemma, i.e., the fact that provision of insurance may dull the incentives for adequate performance, particularly when it is difficult for the principal to perfectly monitor the agent's actions and performance.

Moral hazard has been used widely in economic literature to help explain why some actors have taken risky behavior, at least partially incentivized by knowledge that another organization will come to their rescue. Mexico's shaky economy over the last two decades has worried the US enough so that it responded with economic aid. The United States loaned money to the Mexican government to help alleviate economic crises there. However, the expectation itself of likely U.S. economic aid when trouble arises is an incentive for Mexican officials and foreign investors to undertake greater risks, thus making another economic crisis likely in the future. Moral hazard arises when the US Treasury's Exchange Stabilization Fund and the Federal Reserve have essentially provided insurance to Mexico, so foreign investors continue making risky investments and questionable monetary policy is pursued.¹⁶ This, of course, is similar to the moral hazard problem involved with welfare – does such support dull the incentive to work?

The US creates moral hazard situations by underwriting various actions around the globe because policymakers are concerned the transmission of cross-border shocks will destabilize international security, stability, or prosperity.¹⁷ Shock is a disturbance of the natural balance or state of being in an actor's environment that is significant enough to require action to restore a state of equilibrium. Cross-border shocks can start in one country and propagate outward like the ripples caused by a pebble dropped in a pool of water until the shock crosses the border into one or more countries. A key national interest of the US is to maintain stability by minimizing the impact of cross-border shocks to foster worldwide free trade. As the US government provides incentive and insurance for actors to undertake some level of activity to further our physical or

economic well-being, moral hazard can lead these actors to take risky actions that may trigger cross-border shock. It is within this context that subsequent discussion focuses.

Discussion

It is our contention that moral hazard in this new era is driving conflicts and contingencies, and in some of these instances the US has to respond with military force to maintain regional or global stability to protect our physical and economic well-being. In the 21st century, our vital national interests of physical and economic security are absolutely dependent on international stability—and US military forces provide insurance that many countries rely upon to protect access to and participation in global trade.

Moral hazard occurs when an actor has incentive to take unusual risk because international or US policies provide insurance against failure. This insurance is a potential trigger for cross-border shock. US and international policies have underwritten risky behavior by international actors in different ways.¹⁸ In some cases actors are simply too large or too important for the US or international community to allow them to fail. For example, within the US, the federal government has been actively involved in the California energy crisis because the potential ripple effect from disrupted business activities there could easily cause internal US shock or cross-border shock between the US and other countries. California is the most populous state in the US and the sixth-largest economy in the world. Therefore, the implications of business failure there are tremendous.¹⁹ Outside the US, the financial bailout of Thailand's Bhat was necessary to contain the spread of financial disruption across international borders. The International Monetary Fund provided an insurance policy providing Thailand with coverage from

taking risky bond positions. Alternatively, the failure of one of our allies in a severe domestic or international endeavor may oblige us to act.

The Intervention Chain: Triggers to Intervention

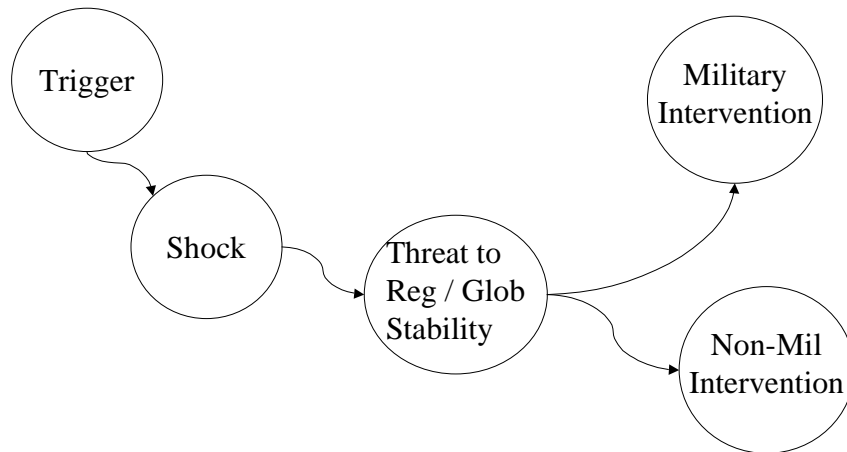


Figure 1.

As shown in Figure 1, moral hazard can be the direct or indirect trigger to transmitting cross-border shock. When the shock is severe enough to threaten regional or worse, global stability then the US should intervene. For the purposes of this discussion, the US can intervene in two different ways: with military force, which can be lethal or non-lethal, and with non-military instruments of power. *Lethal* combat power is the military force required to engage in direct combat with enemy forces and runs the gamut of military operations from full-scale nuclear war to peacemaking. *Non-lethal military force* is force not used for direct combat, but provides overall support to the military.

These forces include airlift and air refueling, space satellites, security assistance, special operations forces reconnaissance teams, peacekeeping forces, or information operations. When the US military provides humanitarian assistance to help a nation with earthquake, tornado, or some other relief, this occurs with non-lethal military force. Using lethal or non-lethal military forces constitutes military intervention. Finally, in many situations non-military intervention is a more appropriate instrument of power to flex. For example, economic and diplomatic leverage can be exercised to help stabilize a country or region before cross-border shock causes instability.

Moral Hazard Can Trigger Instability

Table 1. Potential Triggers from Moral Hazard

Ambiguous US foreign policy / information asymmetry
Large military power / force (can be provocative)
Security umbrella
Public's ambivalence to foreign policy
Past behavior
Diplomatic signals
Use of economic / diplomatic / information instruments

As shown in Table 1, there are several potential triggers from moral hazard. Ambiguous US policies regarding intervention with military force have provided incentive to actors to take risks because they think they can get away with risky behavior. Inconsistencies in American foreign policy after World War II may have confused the

Soviets and motivated them to begin protecting their way of life, thereby intensifying the Cold War.²⁰ The information asymmetry between how an actor thinks the US *will* respond and how the US thinks it *should* respond represents an information gap. This gap also creates moral hazard for the actors. For example, Milosevic may have believed the US or NATO wouldn't have the will to maintain a sustained conflict in Kosovo in 1999. Israel certainly is exhibiting risky behavior in dealing with the current uprising of the Palestinians perhaps because they know the US will always back them regardless what actions they take or rhetoric they engage in.

The US's large military force structure and power also may be a trigger to some actors. We have the strongest military in the world, which, some believe, has made us arrogant when dealing in international issues. For example, the planned deployment of a national missile defense system, despite the vocal concerns from countries around the world, has not deterred the Bush-Cheney Administration from pursuing such a controversial program. On the other hand, other countries that resent our size and strength may be motivated to undermining our strength without a head-on confrontation. For example, some argue that Russia is still maintaining Cold War behavior against the US on many levels: spying on us, spreading negative propaganda, fragmenting US national will, or disrupting international relations, to name a few.²¹ Osama bin Laden is an actor prepared to attack us in non-conventional ways to avoid our direct military strength.

Additionally, some countries rely on the US for their security umbrella. During the Cold War and even today, many nations such as Canada, Mexico, Japan and NATO rely on the US nuclear umbrella. To these countries, our umbrella ensures their protection despite risky behavior they may take. Other countries may seek to exploit the

fractions among those countries under the US security umbrella. For instance, Saddam Hussein has leveraged the international community's waning will to continue enforcing the embargo on Iraq and frequently violated UN Security Council resolutions without retribution.

Moreover, the US population's ambivalence toward foreign policy matters, international issues, and willingness to use military force also provide a type of incentive for actors to take risky behavior that may trigger cross-border shock. Some characterize the American public's views on international affairs as "apathetic internationalism" where the public pays lip service to foreign affairs, but does not act like it cares.²² Our representative government is keenly in tune with furthering the interests that benefit its constituents. Unfortunately, the average constituent who has sent his or her representative to Washington has little interest in international matters. Individual freedom, security, and prosperity are keen interests; however, the relationship between those interests and international matters is not a consideration for the typical American today. Regional and global stability are simply taken for granted.

There are other potential triggers to consider. Past behavior in situations when the US chose to intervene or not intervene with military force in the affairs of another actor, mixed diplomatic signals, and use of economic power each can provide incentive for others to engage in risky behavior causing cross-border shock. First, we chose to use military power to intervene in Kosovo, the Balkans, Panama, Haiti, and Somalia. We also chose to intervene in the affairs of Osama bin Laden with military force for bombing our African embassies and to retaliate against Khadafi for sponsoring terrorists that killed many Americans. Each of these examples illustrates conditions when the US was willing

to intervene with military force. To some actors, it also showed behavior to avoid. However, there are other cases when the US chose not to intervene with military force. For example, the US is intervening with diplomatic and information power, but not military force to try containing the conflict between Israel and the Palestinians. In Africa we used economic power to quell the border wars. We are not intervening with military force in Algeria despite the horrific internal shock. Furthermore, we used diplomatic and economic power to convince the North Koreans to stop pursuing nuclear weapons in 1994. Second, some argue that Saddam Hussein was led to believe that the US would not intervene if Iraq invaded Kuwait because of misinterpreted signals by Hussein.²³ Third, flexing our economic muscle continues to be a tool we are comfortable using. We gave Colombia \$1.3 billion to help stem the production of drugs. Additionally, we provided billions of dollars to Russia to help with its democratic transition in the early 1990s; and, in the Horn of Africa we used economic power to quell the border dispute because of the potential impact on trade routes for diamonds, oil and other goods.

The Nature of Shock

Moral hazard provides incentives to actors to take risky behavior. Sometimes this behavior can be the trigger causing cross-border shock. Different types of shock as shown in Table 2, reverberate throughout international communities. Of most concern are shocks that threaten American physical security and survival; fortunately, these shocks seem distant and infrequent.

Table 2: Types of Shocks
Security (Brute aggression)
Survival (Civil war)
Economic (Stock market collapse, panics, banking & currency crises)
Political (Coup, threat to democracy)
Social (Disease, drugs, crime)
Access to Critical Resources (Water, oil, electricity)
Ethnic (Genocide, ethnic cleansing)

Economic shocks, on the other hand, are more common and can directly involve domestic financial and other markets, or have a tangential effect on them. Political shocks can be as mild as a change in ruling parties to as drastic as a coup or guerilla movement which threatens democracy. Disease and other social shocks like drugs and global crime also contribute to transmitting cross-border shock. Other types of shocks include disputes over access to critical resources such as oil and water, natural disasters and ethnic conflicts also are factors that can cause shock. Natural disasters like earthquakes, floods, hurricanes, famine or drought are not on the list because they usually are not the result of risky behavior by an actor in a moral hazard situation.

Shocks have impacts at different levels. Some shocks could have a long-term effect that may or may not affect the United States over the course of several years. For example, the rise to power of Castro's communist regime during the height of the Cold War created a long-term impact resulting in 40 years of US economic sanctions. Other shocks can have a potentially negative impact on the US in the near-term, such as events

in Southeast Asia. When China launched missiles near Taiwan in 1996, the US responded with a show of force of two aircraft carriers in the Taiwan Straits. The US acted quickly because a hostile conflict between China and Taiwan would have quickly destabilized the Pacific region. We maintain our constant vigilance in this area of the Pacific today because the potentially negative near-term impact on regional stability if hostilities erupt. However, shocks causing immediate negative impacts are of the most serious concern, such as the current conflict between Israel and Palestinians (if it escalated and spread regionally). Some levels of shock impact illustrate situations when the US should use military force. Other levels of shock impact should involve non-military instruments of power, or a combination of military and other instruments, while still other lower levels of impact should be answered with no flexing of US will.

The shocks in Table 2 can affect areas of different priorities for the US. The first area of priority for the US is homeland security that entails protecting the US population, and infrastructure within the confines of US borders from harm or destruction from external threats. Our allies with whom we have a formal alliance are our second area of priority, like NATO countries. Third areas of priority are countries that are major trading partners or treaty signatories. The fourth areas of priority are countries that are friends but may not be alliance or treaty partners. Our security and well-being depend on these four priority areas because they all impact regional and global stability. Different types of shock will affect priority areas at different levels over time.

Military Intervention Threshold

Our response to different levels of shock can be evaluated by time horizons. The greater the impact over time, the greater the need to respond. Shocks having a potentially long-term negative impact on our well-being in any of the four priority areas should be watched carefully. A US response might be required to minimize the impact of these shocks by using economic, diplomatic, informational, or other non-traditional instruments of power such as perception management. Shocks with potentially negative near-term impact on the priority areas require closer scrutiny, but military force should not normally be used unless adverse security, survival, or economic impact is near. Finally, shocks that may cause immediate negative impact on especially on our homeland security or an ally are of the highest concern and may be answered with military force if the benefits outweigh the cost. Immediate shock impacts on treaty or friendly countries are not necessarily grounds for military intervention unless regional or global stability quickly deteriorates.

Military Intervention Decision

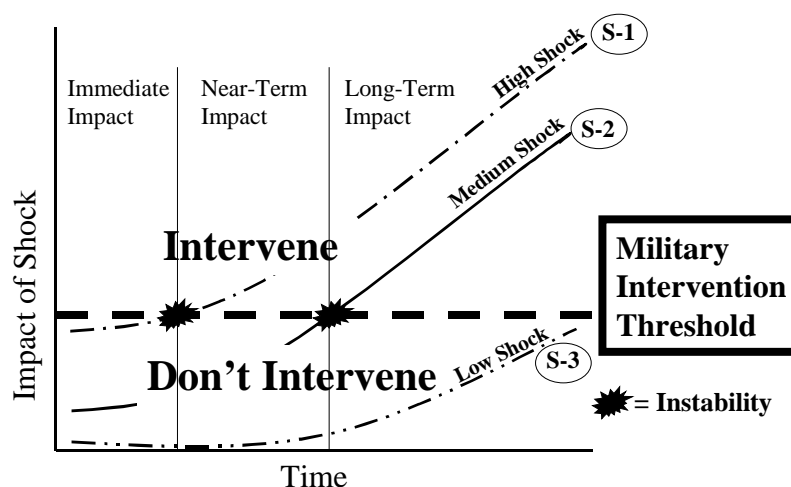


Figure 2

Figure 2 illustrates when to intervene with military force. The intervention threshold is established at the point where the triggering shock causes regional or global instability. In situations causing high shock (S-1) when the intervention threshold is exceeded, then intervention with military force is appropriate. However, not all triggers to cross-border shock have immediate negative impacts causing instability. In some cases, a moderate level of initial shock can occur (S-2), but it initially has only a potential near-term negative impact. As the shock is transmitted across borders but is below the threshold to intervene with military force, intervention by other instruments of national power is appropriate. If the shock builds and begins threatening regional or global stability, then intervention with military force is appropriate. In other situations, initial shock is too low to cause instability and even over time, the shock never becomes great enough to cause instability (S-3). In this case, there is long-term potential impact, but no

need to intervene with military force. Again intervention by other means may be appropriate.

Any contemplated intervention must be assessed for its overall value in terms of the benefits gained for the cost incurred. In the parable of the would be tower builder, he first sits down and estimates the cost to see if he has enough money to complete it. For if he lays the foundation and is not able to finish it, everyone who sees it will ridicule him. Similarly, policy makers should count the cost of any intervention based on the priority area affected prior to actually intervening. A trade off between the cost and the value gained from an intervention must be considered for several factors for each type of cross border shock that occurs. Some of these factors include the morality of the cause, risk of lives, international and domestic political risks, economic cost, support from other countries, public opinion, military readiness, environmental and cultural costs. If the cumulative benefits of these factors outweigh the cost, then intervention is appropriate. Part of this analysis must include assessing if the particular type of intervention is appropriate to yield the desired results. Military intervention is probably not the best method to stop the spread of hoof and mouth disease to the US, whereas a ban on imported livestock from infected countries might be. Conversely, sending in the military to defend our NATO allies from an imminent attack is more appropriate than trade embargo against the attacker.

When instability becomes significant enough to adversely impact on our physical and economic security, or severe enough to disrupt global economic exchanges, then the US should intervene with military force. Security and stability of international trade routes (physical and cyber) are paramount to maintaining world prosperity and ultimately

US well-being. For example, the US has a strategic interest in the Horn of Africa because of its impact on trade routes. Alternatively, the US Space Commission's report, said that the US has a vital national interest in freedom of navigation of space orbits. The question, from the commission's perspective, was not a matter of "if" putting weapons in space was right, but rather a question of "when" the need to protect those orbits would be required. Any disruption of our space-based assets would quickly be destabilizing (such as an exo-atmospheric nuclear detonation).

Because interconnectivity leads to interdependence, any regional instability is hard to isolate. The instability of a region may reverberate throughout other regions exacerbating the shock across international borders. International trade is dependent on regional and global stability and the US is essentially the insurer that guarantees a free flowing global market.²⁴ Many other countries rely on the US and derive free-rider benefits from the US's ability and willingness to use military force when required to maintain stability.

Therefore, the US should intervene with military force in situations where there is an immediate negative impact from the transmission of a cross-border shock severe enough to cause regional or global instability. For example, instability in the Persian Gulf, Southern Europe, or on the Korean Peninsula required the US to intervene with military force because of the potential of reverberating shock throughout the regions and globe. However, not all shocks threaten regional or global stability. China human rights violations, although deplorable, need not be answered with US military force because these human rights violations are not having an immediate negative impact on regional stability. Likewise, the absence of democracy in some regions of the world may

not be necessarily destabilizing. For instance, Saudi Arabia is not a democratic nation and we are not pushing them in that direction. However, if democracy fails in Israel (especially if caused by an Arab force) or Western Europe, that could be destabilizing.

Conclusions and Recommendations

As the most powerful nation on earth, many reasons exist why the US can and should intervene in the affairs of another actor. We have described conditions when the US should intervene with military force. In short, when regional or global instability is threatened by the transmission of cross-border shock, the US should intervene because our physical or economic well-being and prosperity would be adversely affected.

On the other hand, the US to intervene in the might have reason to intervene in the affairs of another actor when our physical or economic well-being is not directly at stake. Events can occur causing shock *within* the borders of another country, yet not threaten regional stability. As we mentioned before, natural disasters are not shocks caused by moral hazard situations. However, as the world's most powerful and richest nation, we are obligated to try to help ease widespread human suffering. In these cases, we should use the best form of intervention to quickly ease suffering and restore order to the area affected whether military or other intervention. Likewise, there are cases when helping our allies requires US assistance to show our support such as the US assistance to Great Britain during the Falklands War. Both of these examples illustrate cases when our strategic interests are not at stake, but we should respond with military force to satisfy our obligations as a good global neighbor.

Moral hazard provides a new method of evaluating national security issues and causes of crisis situations. As US foreign policy decisions are formulated, they should be evaluated for the moral hazard they provide to various actors around the world. As we have seen, a policy developed with the best intentions to solve or prevent one problem have actually led to another, unanticipated problem. By assessing beforehand the incentive our actions or policies provide to others to engage in risky behavior, we may be able to minimize the number of cross-border shocks impacting regional and global stability. When moral hazard is viewed through the three lenses of international order, realism, idealism and constructivism, intervention and military intervention in particular, will be used only when absolutely necessary. As Stephen Walt says diplomats, “must remain cognizant of realism’s emphasis on the inescapable role of power, keep liberalism’s awareness of domestic forces in mind and occasionally reflect on constructivism’s vision of change.”²⁵

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ENDNOTES

¹ For the remainder of this paper state, non-state, and trans-national groups will be referred to as “actors.”

² Bull, p. 1.

³ Walt, p. 36.

⁴ However, the rescue attempt of US hostages in Iran during the late 1970s, and the bombing of Libya and invasion of Grenada in the 1980s, for example, did not fit neatly within the bi-polar framework.

⁵ Krauthammer, p. 23.

⁶ Kupchan, Haass (1999)

⁷ According to Jean-Marie Guehenno (“The Impact of Globalization on Strategy”), globalization is a political phenomenon characterized by the weakening of mediating institutions and the direct confrontation between individuals and global forces.

⁸ Haas(1999), p. 39.

⁹ Gaddis, p. 3.

¹⁰ Gerry, p. 34.

¹¹ Record, p. 35.

¹² Wolfson, p. 41.

¹³ Hoffman, p. 29.

¹⁴ Tucker, pp. 19-20.

¹⁵ Arrow, 1964.

¹⁶ Hoskins, Lee W. and James W. Coons, (1995).

¹⁷ See Calvo and Mendoza (2000) for a discussion on globalization and the impact of contagion.

¹⁸ Risky behavior is used here to represent an action taken by an actor that he wouldn’t ordinarily take if a 3rd party insurance wasn’t in place.

¹⁹ Other examples include the Savings & Loans and Chrysler Corporation’s bailouts in the 1980s and the Treasury’s departments bailout of the Long-Term Capital Management hedge fund in the 1990s.

²⁰ Nye, Joseph, p. 123.

²¹ Get KBG General’s cite.

²² Lindsay, p. 2. He also says that politicians can read this apathy and, therefore, don’t take foreign affairs as a serious mandate from their constituents.

²³ Mixed communications between Ambassador April Gillespie and Saddam Hussein are reported to have led Hussein to believe the US would not respond if Iraq invaded Kuwait.

²⁴ This concept contrasts with hegemonic stability theory which states that hegemony is the driver and enforcer (of countries failing to play by the rules) of a stable world economy.

²⁵ Walt, p. 44.